

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY SAN JOSE

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FOL RIO DE JANEIRO 1505 SENT ACTION SECSTATE INFO ABIDJAN
BOGOTA BRASILIA GUATEMALA LONDON MANAGUA MEXICO SAN SALVADOR
LUANDA SAO PAULO APRIL 26, 1974 REPEATED TO YU QUOTE

LIMITED OFFICIAL USE RIO DE JANEIRO 1505

E.O. 11652: N/A

TAGS: ETRD, EAGR, CO, BR

SUBJECT: BRAZILIAN COFFEE DEVELOPMENTS

REF: STATE 61311 (NOTAL)

1. CONSUL GENERAL AND ECON OFFICER CALLED IN IBC
PRESIDENT, CAMILO CALAZANS DE MAGALHAES, AFTERNOON OF
APRIL 24. CALAZANS DE MAGALHAES CLAIMED TO BE RELATIVELY
OPTIMISTIC ABOUT ABILITY OF PRODUCER AND CONSUMER
COUNTRIES TO REACH COMPROMISE AGREEMENT DURING FORTH-
COMING NEGOTIATIONS ON STRENGTHENING ICO. HE STATED
THAT BRAZIL, BEING SATISFIED WITH CURRENT INTERNATIONAL
DOLLAR PRICE OF COFFEE, WOULD NOT PRESS FOR FURTHER PRICE
INCREASE. RATHER, IT WOULD ASSERT ITS EFFORTS TO
SUSTAIN PRESENT REAL PRICE LEVEL. HE WOULD, THEREFORE,
EXPECT AGREEMENT TO GUARANTEE FURTHER PRICE INCREASES
REQUIRED TO OFFSET ANY FUTURE DECLINE IN PURCHASING POWER
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OF DOLLAR.

2. CALAZANS DE MAGALHAES WILL VISIT COLOMBIA AND COSTA RICA EARLY MAY TO DISCUSS CENTRAL AMERICAN COFFEE MARKETING SITUATION. BRAZIL PREPARED, HE STATED, TO HELP FINANCE CENTRAL AMERICAN EFFORTS TO SUSTAIN THEIR COFFEE PRICES THROUGH MORE STABLE MARKETING PROCEDURES. BEFORE ANY DEFINITE FINANCIAL OFFERS ARE MADE, HOWEVER, BRAZIL WISHES TO HEAR WHAT COLOMBIA, MEXICO AND CENTRAL AMERICANS ARE PREPARED TO DO. HE CLAIMED TO PREFER THAT MEXICO AND CENTRAL AMERICAN COUNTRIES JOIN CAFE MUNDIAL, BUT THAT MEXICO, PARTICULARLY, RESISTED THIS IDEA. THUS COMPROMISE MAY BE REACHED WHEREIN LATIN AMERICANS FORM SEPARATE ORGANIZATION THAT WOULD COOPERATE, AND SUBSEQUENTLY ASSOCIATE ITSELF, WITH CAFE MUNDIAL.

3. CALAZANS DE MAGALHAES EMPHASIZED THAT BRAZIL DOES NOT WISH INCREASE ITS PROPORTIONAL SHARE OF INTERNATIONAL COFFEE MARKET. BRAZIL, PARTICULARLY WHEN CURRENT PLANTING PROGRAM BEGINS TO TAKE EFFECT, WOULD LIKE TO SUSTAIN AN ANNUAL EXPORT LEVEL OF 20 TO 21 MILLION BAGS. THIS PROJECTION IS BASED UPON AN ESTIMATED AVERAGE ANNUAL CROP OF SOME 28 MILLION BAGS. BY CONTRAST, IBC CROP ESTIMATE FOR THIS YEAR IS 23 TO 25 MILLION BAGS. NEW IBC PRESIDENT STRESSED HIS DESIRE TO REDUCE GOVERNMENT INTERVENTION IN MARKET PROCESS, IMPLYING SEVERAL TIMES HIS DISAGREEMENT WITH PREVIOUS IBC ADMINISTRATION. HE ADMITTED THAT, ALTHOUGH EXPORTS DURING FIRST THREE MONTHS OF YEAR HAVE BEEN RELATIVELY GOOD, SALES DURING PAST FEW WEEKS HAVE BEEN LOW. HE OPTIMISTICALLY PREDICTED THAT SALES WOULD INCREASE ONCE CENTRAL AMERICAN COFFEE SITUATION HAS BEEN STABILIZED. CALAZANS DE MAGALHAES ALSO CONFIRMED THAT IBC IS PROVIDING 50 PERCENT OF DOMESTIC COFFEE CONSUMPTION AT SUBSIDIZED PRICE (PRESS REPORTS IBC SELLING THIS COFFEE FROM ITS STOCKS AT CR\$155 PER BAG WHEREAS MARKET PRICE IS CR\$340 -380 PER BAG). HE HOPES, HOWEVER, TO TERMINATE THIS POLICY BY THE END OF MAY.

4. DURING INTRODUCTORY DISCUSSION CALAZANS DE MAGALHAES MENTIONED IBC MAY MOVE TO BRASILIA DURING NEXT 12 - 18 MONTHS.

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5. COMMENT: CALAZANS DE MAGALHAES APPEARS BE CONSCIENTIOUS, STUDIOUS OFFICIAL UNDERGOING HIS FIRST SERIOUS EXPOSURE TO INTRICACIES OF COFFEE BUSINESS. HE LIKELY WILL FOLLOW ESTABLISHED BRAZILIAN PRICE AND PRODUCTION POLICIES. IN CASE OF ICO NEGOTIATIONS, FOR EXAMPLE, HIS STATEMENTS WERE VIRTUALLY CARBON COPIES OF WHAT HIS PREDECESSORS HAD BEEN SAYING. THIS SITUATION INDICATES

BRAZIL FEELS NO PRESSURE TO RENEGOTIATE STRONG ICO AGREE-
MENT. AT SAME TIME, IT DOES NOT WANT TO BEAR PUBLICLY
RESPONSIBILITY FOR TERMINATING ICA. HE APPARENTLY IS
LOOKING TO CAFE MUNDIAL AND A LATIN AMERICAN ORGANIZATION
AS AN ALTERNATIVE TO STRENGTHENED ICA. BRAZIL'S WILLING-
NESS TO INVEST SUBSTANTIAL FUNDS IN SUPPORT OF CENTRAL
AMERICAN COFFEE PRICES, HOWEVER, IS QUESTIONABLE.
APPARENTLY IN COOPERATION WITH COLOMBIA LAST YEAR, IT
HELPED SUPPORT CENTRAL AMERICAN PRICES AND
REALIZED A PROFIT. THIS MANEUVER FEASIBLE ONLY BECAUSE
OF RELATIVELY SCARCE SUPPLY SITUATION. BRAZIL UNLIKELY
PURSUE SUCH A POLICY OVER LONGER TERM, PARTICULARLY IF
SUPPLY IMPROVES.
BOONSTRA UNQUOTE RUSH

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